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In the

Supreme Court of the United States

OCTOBER TERM, 1937

NO. 668.

RUSSELL BOX COMPANY, Petitioner,

v.

GRANT PAPER BOX COMPANY, Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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RUSSELL BOX COMPANY, Petitioner,

v.

GRANT PAPER BOX COMPANY, Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

Preliminary Statement.

This is a simple patent case in which the patent was held valid and infringed by the First Circuit Court of Appeals. A Petition for Writ of Certiorari was filed by Russell Box Company and denied, *329 U.S. 741*. The present Petition involves only an order entered by the Circuit Court of Appeals denying Petitioner's motion to recall the mandate and vacate the judgment because the patentee Dreymann is not a party to the action.

Certiorari should be denied for the reasons set forth in each and all of the following points:

(1) There is no merit in ~~Plaintiff's~~ PETITIONER'S position and there is no conflict of decisions as represented by the Petitioner.

(2) The Motion is inconsistent with the Petitioner's pre-trial stipulation that the Grant Paper Box Company was and is the owner of the patent, and the matter is now *res adjudicata.*

(3) The order of the Court from which Petition for Certiorari is sought is not a final judgment, but merely a discretionary order on a procedural matter denying Petitioner's motion—long delayed in filing—to recall the mandate. Such an order is not a judgment on the merits of anything.

The patent in suit was issued to the Respondent, Grant Paper Box Company, as the assignor of the inventor, Carl G. Dreymann (R. p. 359).* Suit for infringement was filed by the Grant Paper Box Company against Russell in 1940. The assignment in question has been a matter of public record since August 24, 1935, on which date it was recorded in the Record of Transfers of Patents of the Patent Office (S.R. p. 4). In a pre-trial stipulation entered into before District Judge George C. Sweeney, and covered by Court order, it was stipulated that the Grant Paper Box Company was the owner of the patent in suit (R. p. 9).

Hence the conditional nature of the assignment by which Grant Paper Box Company took title is not a matter of recent development, nor a thing of a secret

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* The Petitioner in this proceeding has accompanied the Petition with a record that is incomplete, and in which appears only certain matters which have occurred since the previous Petition for Writ of Certiorari was denied. We shall use the abbreviation "R.p." to designate the transcript in No. 297 of the October Term of 1946, and "S.R.p." to designate the supplemental record accompanying the present Petition.

nature. It is indeed strange that the plaintiff should take no notice or make no point of the conditional character of the Respondent's title until after Petitioner had been defeated in litigation, and after Certiorari had been denied, and it is likewise inconsistent and improper that the Petitioner, after having stipulated title in 1943 when the issue was properly raised by the pleadings, and after trial and appeal, should, in 1947, complain that the proper parties are not before the Court.

Point No. 1.

The position of the Petitioner is that Dreymann, having executed an instrument assigning the entire right, title and interest to the Grant Paper Box Company, but having reserved to himself certain control, not over the patent, but over the conduct of the assignee, is in reality an owner of the patent and therefore is a necessary party to an infringement suit. The assignment on its face (S. R. p. 2*) shows the assignment of the full and exclusive and entire right, title and interest in the patent. It shows that the Grant Paper Box Company took this ownership subject to certain limitations in its own conduct with respect to the property which it so acquired. The Grant Paper Box Company as assignee could not grant any licenses without the consent and approval of Dreymann. This, however, is a limitation on the conduct of the Grant Paper Box Company, not a restriction on the exclusive right to make, use or sell the patented product. It is not *per se* the withholding of any part of the legal ownership in

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* Note: In the supplemental record the assignment of Carl G. Dreymann appears as "Affidavit of Carl G. Dreymann."

the patent. Dreymann did not reserve unto himself the right to grant licenses; he himself could grant no licenses; he could not require that the Grant Paper Box Company should grant licenses. Dreymann did not reserve unto himself the right to make, use or sell the patented product.* That exclusive right was assigned to the Grant Paper Box Company. There was no undivided part of the patent reserved to Dreymann. There was no reservation by Dreymann of the right to sue or bring suit for infringement; there was no power left in him to assign anything to any one under the patent; the only right that he had was the right to approve any licenses if the Grant Paper Box Company should see fit to grant licenses, the right to receive as a consideration for the assignment a part of the royalties that might be earned, and the right of re-assignment of the patent upon the occurrence of certain conditions.

It has been decided by this Court and by various Circuit Courts of Appeals, that a patent may be assigned, subject to certain conditions to be observed by the assignee, and subject to rights of reversion. The classic case on the law of patent assignments is the old case of *Waterman v. Mackenzie,* 138 U.S. 252, which has been cited, and quoted, and followed innumerable times. At page 255 the Court said:

> "The monopoly thus granted is one entire thing, and cannot be divided into parts, except as authorized by those laws [patent statutes]. The

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*Note: The first question propounded by the Petitioner (Petition p. 3) is a mis-statement. Dreymann did not reserve any right to assign or to grant licenses. Grant alone could assign or grant licenses, but subject to Dreymann's right to approve same.

patentee or his assigns may, by instrument in writing, assign, grant, and convey, either, 1st, the whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States; or 2nd, an undivided part or share of that exclusive right; or 3rd, the exclusive right under the patent within and throughout a specified part of the United States. Rev. Stat. Par. 4898. A transfer of either of these three kinds of interest is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case jointly with the assignor; in the first and third cases, or in the name of the assignee alone. Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent and no right to sue in law in his own name for an infringement."

At page 256 the Court said:

"Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions. For instance, a grant of an exclusive right to make, use and vend two patented machines within a certain district, is an assignment, and gives the grantee the right to sue in his own name for an infringement within the district, because the right, although limited to making, using and vending two machines, excludes all other persons, even the patentee, from making, using or vending like machines within the district. *Wilson v. Rousseau,* 4 How. 646,686. On the other hand, the grant of an exclu-

sive right under the patent within a certain district, which does not include the right to make, and the right to use, and the right to sell, is not a grant of a title in the whole patent right within the district, and is therefore only a license. * * *

"An assignment of the entire patent or of an undivided part thereof, or of the exclusive right under the patent for a limited territory, may be either absolute or by way of mortgage and liable to be defeated by non-performance of a condition subsequent, as clearly appears in the provision of the statute, and 'an assignment grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration without notice, unless it is recorded in the Patent Office within three months from the date thereto.' Rev. Stat. Par. 4898."

In the case of *Waterman v. Mackenzie,* Mrs. Waterman, then assignee of the entire right, title and interest in the patent, "assigned the patent to the firm of Asa L. Shipmans Sons, all her right, title and interest in the invention and the patent with the express provision that the assignment should be null and void if she and her husband or either of them should pay at maturity a certain promissory note of the same date, made by them and payable to the grantee." The instrument was construed by the Supreme Court to be a mortgage, being an assignment for an indefinite term with the reversion to the assignor upon the payment of a note. Subsequently Mrs. Waterman executed another assignment of the same patent before the note had been paid, and the second assignee brought suit for infringement. The

defense was raised that the plaintiff was without title. The Court sustained this position and said (p. 261):

> "The necessary conclusion appears to us to be that Shipman, *being the present owner of the whole title of the patent under a mortgage* duly executed and recorded, was the person, *and the only person,* entitled to maintain such a bill as this; and that the plea therefore was rightly adjudged good." (Italics ours).

In the present instance, as we have pointed out, Grant and Grant alone, was and is the present owner of the entire right, title and interest in and to the patent, subject to a mere right of reversion in Dreymann, upon the happening of a condition (which has not happened). It is a complete assignment, subject to conditions, just as was the first assignment to Shipman in *Waterman v. Mackenzie.* And Grant, like Shipman, became "the owner of the whole title of the patent" and was and remains the only person entitled to maintain a suit for infringement.

A more recent case directly in point in the District Court of Delaware, is *Berghane v. R.C.A.,* 73 U.S.P.Q. 463 (6 F. R. D. 561) [see also 70 USPQ 294; 4 F. R. D. 464]. Plaintiff brought suit averring ownership of the patents under certain assignments from the Union National Bank of Pittsburgh, which assignments were made subject to an agreement entered into between the bank, the Plaintiff, and the Plaintiff's sister and brother. The issue was squarely raised as to whether the bank and the brother and sister who had reversionary interests and who had made only conditional assignments, including a right to control expenses of litigation and

participation in proceeds of the patent, were not necessary parties. It was held that the Plaintiff was the assignee, notwithstanding the conditions that attached to the assignment, and therefore the party under the statute to maintain the action, and it was held that it was unnecessary for the other parties to be joined. The cases are uniform, and we know of no case to the contrary.

In *Platt v. Fire Extinguisher Co.*, 59 Fed. 897 (C.C.A. 3) there was also involved the question of whether an assignee under a conditional assignment could maintain suit in its own name. In holding that the assignor, corresponding in the present instance to Dreymann, need not be a party, the Court said:

> "The complainant's title to this patent, and his right to sue for an infringement, are questioned because the assignment from John A. Graham to the complainant, it is alleged, does not convey the whole monopoly. *The deed of assignment stipulates that the complainant shall not during the term of the said patent make any assignment thereof, or grant any license under it, and shall make certain payments as agreed upon between the company and Graham;* and the assignment is also made subject to the license granted to Holloway. With these exceptions, the assignor sells, transfers and assigns all of his right, title and interest in and to the patent. Of even date with the assignment to the complainant an agreement was made between the latter and Charles T. Holloway, which, after reciting that the complainant is vested with the entire title and interest in the patent, and that Holloway is powerless to prosecute any infringer, provides that he may in-

stitute proceedings against such infringer whenever the complainant, upon reasonable notice of infringement, shall neglect or refuse to do so.

"The complainant succeeded to the ownership of John A. Graham, administrator, in the patent, and whatever rights the latter had passed to the complainant, except the right to execute an assignment or issue a license. Graham had divested himself of the right to sue for an infringement, and if the complainant could not sue, no one could. The property would thus become a prey to all who might choose to use it. This would be unreasonable and inequitable. The title was conveyed to the complainant subject only to certain conditions, and *the assignor had no more right to it than a stranger, so long as the conditions should remain unbroken. If the complainant should fail to keep his covenants, then the conditions would be broken, and the property would revert to Graham. Until this event happens the complainant has the right to protect his interests by suing infringers of the patent. Littlefield v. Perry,* 21 Wall. 205." (Italics ours).

In the case above quoted, the conditions are even more stringent than those which accompany the Dreymann assignment and did not defeat the assignment as vesting ownership in the assignee, and as such owner, entitled to sue solely in his own name. If the exclusive right to make, use, and sell the patented inventions is vested in the transferee, he becomes the assignee and owner. Under the instrument executed by Mr. Dreymann to the Grant Paper Box Company, Grant and Grant alone had the full right to make, use and sell container walls in accordance with the patent. Dreymann reserved no

rights to himself practice the invention; Dreymann had no right to grant any license to any one else, and Dreymann could not transfer any interest in the corpus of the patent elsewhere. All of the elements of vested ownership were present.

The case of *United States v. Washington Institute of Technology* relied upon by the Petitioner does not in fact support its position at all. Under the patent laws certain parties are designated as the proper parties to maintain a suit for infringement. Revised Statute Section 4919 (35 U.S.C.A. 6) provides that suit for infringement must be brought by the party interested "either as a patentee, assignee or grantee." (See also Section 4898 R.S. 35 U.S.C.A. 47, Paragraph 11).

In the case of *United States v. Washington Institute of Technology,* 138 Fed. (2d) 25 (C.C.A. 3), the suit was not a suit for patent infringement. It was not a suit under Revised Statute 4919. It was a suit under Section 4915 of the Revised Statutes having to do particularly with cases where conflicting parties are claiming the same invention. It was what is commonly termed an "interference suit" as distinguished from a case like the present one which is for the infringement of a patent. In the *Washington Institute of Technology* case the District Court, which was sustained by the Third Circuit Court of Appeals, clearly emphasized the distinction. The District Court for the District of Delaware, Paragraph 47, Federal Supplement 385, 55 U.S.P.Q. 127 in a footnote to its decision stated as follows:

> "Actions under R.S. 4915 are different from actions brought under the Declaratory Judgment Statute and from infringement suits. Hence the decisions as to who are the necessary parties under the latter types of actions do not control here."

The Third Circuit Court of Appeals, in affirming the decision of the District Court in the *Washington Institute* case also took cognizance of the fact that it was an action under 4915, and not an action for patent infringement.*

Since the Grant Paper Box Company is the owner of the patent in suit, since it has the entire right, title and interest in the invention, and is the assignee of the exclusive right to make, use and sell the patented inventions, it is the only necessary party to a suit for infringement under Section 4919 R.S. The mere existence of conditions that restrict the power of the assignee to alienate the interest assigned, but which do not reserve unto Dreymann either the right to make, or to use, or to sell, does not make Dreymann a co-owner, and he is not, therefore, under Section 4919 required to be a party. His interest is neither that of a patentee retaining ownership, assignee, or grantee.

The case of *Crown Co. v. Nye Tool Works,* 261 U.S. 24 does not support the Petitioner's contention in this case. No interest in the patent was there assigned.

Point No. 2.

In our preliminary statement, we have developed the fact situation relevant to this point. The record shows that the assignment in question has been on the public records of the Patent Office since 1935; the patent was issued on the basis of this instrument to the Grant Paper

*Note: *Berghane v. R.C.A.* (*supra*), was decided *after* the *Washington Institute* case by the same District Judge, thereby establishing that in the Third Circuit the Washington Institute case does not apply to infringement cases.

Box Company as the assignee of Carl G. Dreymann; that the question of ownership could have been tried on the basis of the original pleadings; that in a pre-trial stipulation it was stipulated by Petitioner and Respondent that the Grant Paper Box Company was the owner of the patent, and subsequently all proceedings have been on the basis of this stipulation, until after Ceriorari was first denied by this Court in the No. 297 for the October Term of 1946.

There is nothing secret about the conditional nature of the title acquired by the assignee, the Grant Paper Box Company; there is no circumstance different now than existed in 1943 when the Court order on the pre-trial stipulation under F.R.C.P. Rule 16 was made (R. p. 9); there has been con concealment of any fact. We submit that these circumstances render the question of parties and of title *res adjudicata*. The proper time to have questioned title was when the question was in issue, and having stipulated ownership in the Respondent, and since under R.S. 4919 only the owner is a necessary party, the Petitoiner should not now be heard to complain that he did not examine the instrument on record in the Patent Office, or if he did examine it, did not understand its legal import.

In either case the Petitioner is judicially bound and estopped from now raising the question. The matter of ownership, once a subject of controversy, is *res adjudicata*. The Petitioner is bound by its formal admission before the Court as to ownership (R. p. 9).

The record in this case shows that Carl G. Dreymann, the patentee, as assignee of the patent, appeared in this suit and testified. Dreymann is in relation of privity with the Plaintiff Grant Paper Box Company in

this cause, and is bound and is entitled to the benefits of any decree therein, whether or not he is named as a party of record. As a matter of merit, the fact of Dreymann having made the assignment, having participated in the case, and having testified, could never in any subsequent proceeding, assert with any legal force that the Grant Paper Box Company was not the owner of the patent in suit, and that he, as a holder of a reversionary interest, was not bound by the outcome.

Recall of mandate and dismissal of action is not the proper relief under any circumstance. Rule 21 of the Federal Rules of Civil Procedure provides that parties may be dropped or added at any stage of an action.

Point No. 3.

The Petition for Writ of Certiorari refers to the "judgment" of the Circuit Court of Appeals entered on December 12, 1947. The record (S.R. p. 1) shows on its face that this is not any final judgment of the Circuit Court of Appeals; it is an order issued on a procedural motion to recall a mandate (— long delayed in filing — 1 year 4 months after mandate —) and the Court refused to so recall its mandate. The case will now go forward in the District Court for a judgment on the mandate and accounting. There is no matter of great importance involved insofar as the public interest generally is concerned; there is no real conflict between Circuits.

This Court has repeatedly held that Writ of Certiorari is to be granted sparingly, particularly where no final judgment is involved, and only in cases of peculiar gravity or general importance, or in order to secure

uniformity of decision. In *Hmilton-Brown Shoe Co. v. Wolf Brothers,* 240 U.S., pae 250, at page 258, this Court said:

> "As has been many tmes declared, this is a jurisdiction to be exercise sparingly, and only in cases of peculiar gravity ad general importance, or in order to secure uniformty of decision. Lau Ow Bew, Petitioner, 141 U.S. 53, 587; In re Woods, 143 U.S. 202; Lau Ow Bew v.United States, 144 U.S. 47, 58; Amer. Const. Co. v. Jacksonville Ry., 148 U.S. 372, 383; Forsyth v. Iammond, 166 U.S. 506, 514; Fields v. United State, 205 U.S. 292, 296. And, in extraordinary cases, th writ is not issued until final decree. Amer. Contr. Co. v. Jacksonville Railway, 148 U.S. 372, 378384; The Three Friends, 166 U.S. 1, 49; The Conqeror, 166 U.S. 110, 113; Denver v. N. Y. Trust Co. 229 U.S. 123, 133. *The decree that was sought to e reviewed by certiorari at complainant's instance as not a final one, a fact that of itself alone furnised sufficient ground for the denial of the appliction;* besides which it appears, by reference to ur files, that the application was opposed by th present petitioner upon the ground that the case, bwever important to the parties, involved no questin of public interest and general importance, nor ny conflict between the decisions of state and Feeral courts, or between those of Federal courts of different circuits." (Italics ours).

We submit that no reasn is shown, and none exists, why a Writ of Certiora should be granted from this order denying a motion inident to the proceedings in a patent infringement case.

Conclusion.

The Petition in this case has no merit to recommend it for consideration. In the first place, the alleged discrepancy of decisions is purely fictitious and overlooks the fact that in the *Washington Institute* case the suit was not a patent infringement suit, and therefore not regulated by Section 4919 R.S.

Even, however, if the Petition otherwise had merit, the point should have been raised when it was an issue in the District Court on the pleadings. The Court order entered under F.R.C.P. Rule 16 as to stipulation that the Grant Paper Box Company was the owner (R. p. 9) and hence the only party necessary under Section 4919 is binding and the matter is *res adjudicata*. Finally, the order on which the Certiorari is based is not a judgment, but merely a discretionary order, and there is no question of public import or of any other character such as would warrant the unusual procedure of granting Certiorari on a judgment which is not final.

Respectfully submitted,

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